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**A Reconceptualisation of Ambidexterity: How Subsidiaries Can Use Their
Capabilities and Knowledge to Build Subsidiary Bargaining Power**

Competitive Paper

(Strategic Management)

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A Reconceptualisation of Ambidexterity: How Subsidiaries Can Use Their Capabilities and Knowledge to Build Subsidiary Bargaining Power

Abstract

The literature on subsidiaries to date has focused largely on analysing autonomy, knowledge flows and firm specific advantages (Argote and Ingram 2000; Harzing and Noorderhaven 2006; Meyer, Wright and Pruthi 2009). An emerging stream of literature recognises the potential complexity of intra-organisational power within the MNC as warranting further investigation (Andersson, Forsgren and Holm, 2007; Bouquet and Birkinshaw, 2008; Mudambi and Navarra, 2004).

It is held that as subsidiaries develop dynamic tacit capabilities which can be leveraged, their scope to exert influence and exercise subsidiary bargaining power increases concurrently. This raises some important questions for subsidiary managers, firstly can subsidiaries utilise their resource base to exert influence, and if so, what internal, external and network determinants drive this process?

Bargaining power emanates from subsidiaries acquiring more independence in their operations in conjunction with increased resource accessibility. This bargaining process not only influences subsidiary-headquarter relationships but also has implications for subsidiary-subsidiary relationships when intra-unit competition exists (Mudambi and Navarra, 2004). Subsidiary network embeddedness and interdependencies therefore constitutes a key area of analysis, as does a subsidiary's capacity to assimilate knowledge and reconfigure resources. In building upon this platform a model of subsidiary bargaining power is presented, informed by current theory and a program of semi-structured interviews with subsidiary management in the ICT sector.

The model advanced suggests that subsidiary ambidexterity is key to understanding the roots and origins of subsidiary bargaining power within the MNC. The subsidiary demonstrating ambidexterity achieves alignment between its current operations and the adaptability needed to affectively compete amid changing environmental conditions. *Ability to respond* and *scope to respond*, as a dual construct, are presented as capturing the dynamic tenets of ambidexterity in a more robust manner than has been conceptualised to date.

It is advanced that incorporating ambidexterity as an antecedent of bargaining power provides a new lens through which subsidiary influence can be examined. In addition, the linkages between adaption and the restructuring of resources facilitated through ambidexterity may provide further insight into the determinants and sources of strategic learning.

Introduction

The past two decades have seen significant changes in how the MNC is conceptualised. This is perhaps most evident in Ghoshal and Bartlett's (1990) conceptualisation of the multinational corporation as an interorganisational network. Increased dispersion of activities, resources and competencies has thus changed the way we view the traditional MNC structure.

This transition has prompted a move from conceptualising the subsidiary as a site for traditional downstream activities within a unitary organisation towards acknowledging subsidiary specific roles encompassing such upstream activities as research and development and support activities (Bartlett and Ghoshal, 1988; Cantwell, 1995; Gupta and Govindarajan, 1991; Mudambi and Navarra, 2004).

This trend in research, inferring a more active subsidiary role is reflective of a shift from the traditional transaction cost economics perspective towards one which acknowledges the importance of interorganisational networks and the leveraging of internal knowledge stocks. The emergence and recognition of the subsidiary as a site for innovation further emphasises the changing roles apparent in the modern MNC (Frost, Birkinshaw and Ensign, 2002). A central facet in this reconceptualisation is the assertion that the subsidiary, through its initiatives and idiosyncratic capabilities, can influence strategy 'from below' (Andersson, Forsgren and Holm, 2007).

If a more active and profound role of the subsidiary is emerging, it is likely to impact upon the distribution of power within the MNC structure where; 'the subsidiary – for its part – is interested in enhancing its own standing within the MNE network and increasing its degrees of freedom in decision making' Ambos, Anderson and Birkinshaw, (2010: 02). Interorganisational power, the determinants of this power and how it is dispersed within the organisation therefore becomes a critical area of interest and constitutes a central debate within this stream of literature.

Within this emerging stream of literature however theorists remain divided on the extent of power that can be exerted by the subsidiary. One school of thought holds that due to greater internalisation and increasingly standardised global products and services the scope for subsidiaries to exercise power is limited (Buckley, 2009). This view acknowledges a growing tendency to outsource non-core activities

and concentrate instead on the dispersed specialised competencies within the internal network, creating what Buckley (2009) refers to as “the global factory”. With a reduced emphasis on their external networks it is expected that the subsidiary engages in catering to a specialised value chain activity where control resides predominately with headquarters.

An alternative perspective conceptualises the MNC as a federative structure (Anderrson et al., 2007). This conceptualisation favours looking at the structural properties of a subsidiary’s external network and resource configurations as a catalyst determining the internal distribution of power within the MNC (Ghoshal and Bartlett, 1990). This essentially positions the subsidiary as a potential site for innovations, a view which is widely upheld in the literature Birkinshaw, 1997; Frost, Birkinshaw and Ensign, 2002; Nobel and Birkinshaw, 1998; Nonaka and Toyama, 2002; Rugman and Verbeke, 2001).

There has also been significant empirical findings supporting the capacity of a subsidiary to exert influence through the leveraging of distinct and valuable competencies. Birkinshaw (1996) found a positive relationship between a subsidiary’s proven capabilities and their potential for gaining future mandates, Bouquet and Birkinshaw (2008) found that higher levels of initiative taking were positively correlated with a subsidiary’s *voice* and profile building, Ambos, Andersson and Birkinshaw’s (2010) research similarly holds that subsidiary initiatives had a direct result on the attention gained from headquarters, whilst Mudambi and Navarra (2004) found that the subsidiary capable of leveraging knowledge flows could gain significant power within the MNC.

In accord with this growing consensus that increased subsidiary responsibilities ‘have loosened the traditional hierarchical structure of MNC governance’ Mudambi and Navarra (2004: 386) it is this latter school of thought that informs the research approach taken in this paper. If a more active and interactive role of the subsidiary is emerging; this raises important questions as to how these power structures can be shaped and ultimately leveraged. A central question therefore is how can subsidiaries use their capabilities and knowledge to build bargaining power, and what are the internal, external and network determinants that drive this process? It is in attempting to resolve these issues that this paper is presented.

It is advanced that incorporating ambidexterity as an antecedent of bargaining power provides a new lens through which subsidiary influence can be examined. In addition, the linkages between adaption and the restructuring of resources facilitated through ambidexterity may provide further insight into the determinants and sources of strategic learning.

Theoretical Framework

As an emerging topic, subsidiary bargaining power finds its roots in the complex control types discussed by Gupta and Govindarajan (1991, 2001), the knowledge as power debate, (Mudambi and Navarra, 2004) and the recognition of subsidiary ‘weight and voice’, (Bouquet and Birkinshaw, 2008). The current stream of work in this area has begun to question how complex control types and mechanisms within intra-organisational relationships are shaped (Gupta and Govindarajan, 1991, 2001). Gupta and Govindarajan’s (1991: 769) perspective supports analysing subsidiaries through control types, recognising that ‘differences are likely to be reflected in the mix of formal and informal administrative mechanisms that corporate headquarters might utilize to shape the decisions and actions of various subsidiaries’.

It is arguably through addressing control types and through acknowledging the move towards a more profound involvement by the subsidiary unit; that a more interdependent, rather than dependent position of the subsidiary can be examined (Pearce, 1999). This is illustrated in the typologies of subsidiaries presented by Dunning (1995) where differences in external orientation and research and development capabilities are recognized as focal subsidiary differentials and thus reflective of more complex control mechanisms imposed by the parent. Examining how these control mechanisms can be shaped is at the crux of this paper.

The work of Mudambi and Navarra (2004) identifies this dilemma suggesting that subsidiary units can distinguish themselves from their sister units through strengthening their bargaining power. Interestingly, it is suggested that the bargaining power of subsidiaries is not merely attributed to financial metrics but also in terms of the potential leveraging of intangible knowledge stocks and

flows (Mudambi and Navarra, 2004; Asakawa, 2001) and network embeddedness (Andersson, Forsgren and Holm, 2002, 2007). Echoing the work of Dierickx and Cool (1989), this emphasizes the role of unique asset stock bases, capable of differentiating the subsidiary; enabling them to bargain for resources and leverage their position within the collective MNC.

It is thus proposed that an analysis of both subsidiary *bargaining power* (Mudambi and Navarra, 2004) and *voice* (Bouquet and Birkinshaw, 2008) is inextricably linked to examining how control mechanisms applied by headquarters influence the ability of the subsidiary to build resources and competencies which position it within the MNC. In highlighting the consequent flexibility of operations achievable it is imperative that the subsidiary assumes the role of a net provider of knowledge as opposed to a net receiver. Gupta and Govindarajan (1991) analyse this along a dichotomy of the extent to which a subsidiary is a user of knowledge, and the extent to which they are capable of imparting knowledge to the rest of the corporation. This is likely an emergent process where the subsidiary gains recognition over time as a valued contributor to the collective MNC. Indeed Mudambi and Navarra (2004) found empirical data supporting this, holding that the firm capable of leveraging knowledge flows could increase its bargaining power accordingly.

An impending issue identified within this stream of literature is the need for subsidiary managers to firstly build capabilities which can be leveraged, whilst simultaneously maintaining their provisional mandates in providing value to headquarters. Essentially a dual process, this places pressure on subsidiary managers to remain adaptive and responsive to change whilst also maintaining alignment with current strategic objectives. Tackling these seemingly adverse goals by synthesizing opposing processes it is argued, 'is key to understanding why a firm can be more efficient at producing knowledge than market' and captures the dynamic nature of ambidexterity (Nonaka and Toyama, 2002: 995).

As tested by initial fieldwork in the Irish ICT sector the concept of ambidexterity is advanced as a construct which may be critical in capturing this process. Ambidexterity, comprising of the dual

functions of alignment and adaption (Duncan, 1976) is now discussed, supported by initial research findings.

Ambidexterity

Ambidexterity refers to a firm's ability to simultaneously manage the two competing organisational goals of alignment and adaptability. Duncan (1976) refers to ambidexterity as comprising of 'dual structures' which focus on this alignment and adaption. The two constructs work in unison as separate but interrelated elements with 'ambidexterity as a multidimensional construct comprised of the nonsubstitutable combination of alignment and adaptability (that is the multiplicative interaction of the two capacities)' Gibson and Birkinshaw (2004: 216).

O'Reilly and Tushman (2007) among others, relate this managerial dilemma to the opposing goals of exploration and exploitation (March, 1991). On the one hand the firm must meet the short term demands for efficiency, incremental improvements and continuous innovation whereas the adaption needed for exploration emphasises a longer term perspective with flexibility, risk taking and less formal systems needed. In meeting the needs of turbulent and dynamic environments the synthesis of these two competing goals is very much a real concern for practitioners. Just as products have lifecycles the same can be said for capabilities where obsolesce is likely without significant adaption and modification (Helfat and Peteraf, 2003). This is a concern which is prevalent in the modern ICT sector, where the need for adaption and the modification of capabilities is cited as a common concern.

'What's the next thing? Because if you go back to the product cycle you can be the best in the world at this point, but there's a downward trend afterwards. So have the competence to jump on. So from a HQ point of view they have seen the ability and agility within the subsidiary here in order to move on to the next thing and that's a competence in itself'

(Interview C)

Subsidiary initiative, recognising new opportunities and leveraging network ties was also cited as a means of gaining attention from headquarters. Through building distinct competencies and increasing their control over resources on which others rely, the subsidiary can arguably strengthen their position within the corporate network (Ambos et al., 2010). The need to go beyond the initial mandated role and identify new and emerging opportunities was discussed as a means of gaining favourable attention from headquarters and strengthening their position;

‘At the subsidiary level it’s about us growing those different linkages that potentially lead to emerging markets. But it’s not a strategy that’s written down somewhere. It’s a little bit more tacit and less explicit’ (Interview G)

This is suggestive of the importance of network embeddedness in subsidiary development strategies. It also highlights the role of initiative where the subsidiary is proactive in building these linkages, a distinguishing feature upheld as a characteristic of the entrepreneurial firm (Covin and Slevin, 1989). The subsidiary in question has grown from a standardised mandated role to one where it is seen as a source for innovations. The need to remain on top of current objectives whilst simultaneously remaining adaptive enough to seize new opportunities is again reflected in the following excerpt;

‘While you need to be best in class at what you’re doing, you also need to be positioning yourself for tomorrow’s opportunities and strategic alignments’ (Interview F)

Therefore, there is an imperative need not only to seek continuous improvements to existing processes but to also exploit the opportunities available to the firm. For the subsidiary this is arguably achieved through building ambidexterity. Through exploring and championing alternatives, aligning itself through network embeddedness and exploiting the knowledge gained to create value, the subsidiary can therefore position itself as a valuable contributor to MNC strategy. This arguably has ramifications for the subsidiary’s bargaining power, their capacity to exert influence within the MNC, and sustainability.

The following section introduces a proposed model outlining ambidexterity, its antecedents and outcomes. In applying ambidexterity in the subsidiary context it proposed that the dual processes of exploitation and exploration (He and Wong, 2004; O'Reilly and Tushman, 2007; March, 1991) can be captured in a more robust manner than has been conceptualised to date. As informed by the literature, existing empirical studies and initial interviews within the ICT sector the dual processes of exploration and exploitation are reconceptualised. A dyadic construct of *ability to respond* and *scope to respond* is developed in considering the impact that responsiveness and strategic scope have on building ambidexterity and ultimately on subsidiary bargaining power.

Model Development

The sources of subsidiary bargaining power continue to be debated within the literature. Whilst the relationship between ambidexterity and learning, innovation and performance is upheld there has been little study into the effects of ambidexterity on subsidiary bargaining power.

At the crux of ambidexterity is the ability to pursue exploitation and exploration simultaneously (He and Wong, 2004; O'Reilly and Tushman, 2007; March, 1991). Yet in the pursual of these two competing goals the entrepreneurial orientation which fuels this process has been largely overlooked. The literature assumes an active role of the firm in building ambidexterity yet lacks empirical testing, demonstrating what is essentially an under-researched area.

The model advanced depicts the antecedents of building ambidexterity in the subsidiary context. The first construct advanced is the *ability of the subsidiary to be responsive* to environmental changes whilst exploiting and leveraging the resources and knowledge available to them. It is held that the subsidiary's absorptive capacity and entrepreneurial orientation will have a positive impact on their capacity to be ambidextrous.

The second construct, the *scope for responsiveness* - measures issues relating to monitoring, the determination of strategy and the extent of autonomy imposed by the parent. The scope to build

ambidexterity is largely determined by the flexibility by which the subsidiary can conduct their operations. It is therefore held that the *voice* of the subsidiary becomes particularly important in the pursuit of exploring new opportunities (Bouquet and Birkinshaw, 2008).

As a moderating variable, strategic flexibility is advanced as capturing the ambidexterity construct in a more robust manner than has been conceptualised to date. Strategic flexibility, incorporating resource flexibility and coordination flexibility arguably strengthens the capacity of the subsidiary to respond to external changes and ultimately their scope to pursue explorative opportunities. As an adaptive construct strategic flexibility ‘emphasises the flexible use of resources and reconfiguration of processes, it reflects one type of dynamic capability that enables firms to achieve a competitive advantage in turbulent markets’ Zhou and Wu (2010: 548). It is thus a combinative process that builds upon knowledge gained through the restructuring of resources and their adaptive utilisation; a process arguably conducive to building subsidiary ambidexterity.

INSERT FIGURE 1 ABOUT HERE

The two independent variables of ambidexterity, consisting of *ability to respond* and *scope to respond* are now discussed in more detail in addition to addressing how these independent variables are to be measured.

Ability to Respond

The ability to be responsive as a construct adopts a multidisciplinary approach incorporating aspects of entrepreneurial theory, marketing orientation, absorptive capacity and network theory. This reflects the exploitative aspect of ambidexterity enabling the subsidiary to be responsive to environmental

changes whilst also leveraging the resources and knowledge available to them. In accord with Duncan's (1976) assertion that ambidexterity comprises of the dual functions of alignment and adaption it is the ability of the subsidiary to tap into existing knowledge reservoirs through *integrating mechanisms* and *interdependencies* that captures the alignment aspect of ambidexterity.

In addition, in developing ambidexterity, *absorptive capacity* delves further than alignment; encompassing the capacity of the firm to integrate and assimilate knowledge, to build upon tacit knowledge and identify promising opportunities (Cohen and Levinthal, 1990; Lane and Lubatkin, 1998; Zahra and George, 2002). It is held that the ability of a firm to assimilate knowledge is greater where similar knowledge bases exist but different specialised knowledge is also present (Lane and Lubatkin, 1998). The MNC context as typified by the dispersed spread of competencies and knowledge bases therefore reflects a platform conducive to building absorptive capacity, illustrating the exploitative potential of leveraging internal knowledge.

In creating greater responsiveness it is argued absorptive capacity works alongside *scanning intensity* and *market orientation*. Scanning intensity facilitates opportunity recognition through providing the subsidiary with relevant information about changing events and trends within their environment (Barringer and Bluedorn, 1999; Bluedorn et al., 1994). This information can then be assessed and utilised in the exploitation and pursual of opportunities or in the modification of the subsidiary's capabilities. This is particularly relevant in high velocity environments where capabilities adopt the fundamental features of products in that they may only enjoy limited life cycles (Helfat and Peteraf, 2003).

A *Market orientation* embodies a subsidiary's responsiveness, ensuring they remain both competitor and customer focused. Incorporating intelligence generation, intelligence dissemination and responsiveness (Kohli and Jaworski, 1990) the market orientated subsidiary initially gathers data relevant to its environment before integrating this knowledge in the exploitation of opportunities. Paladino's (2008) empirical paper illustrates how market orientation is positively related to innovation, a finding which further emphasises the importance of the marketing function within the

organisation. Similarly Morgan and Berthon (2008) found empirical data to show that market orientation leads to greater exploitative innovation strategy which significantly improved firm performance. Whilst all organisations are expected to demonstrate a market orientation to some degree it is the extent to which they are able to take action based on the intelligence gathered that acts as the positive differential (Kohli and Jakorski, 1990) thereby capturing the exploitative element of ambidexterity.

The *entrepreneurial orientation* of a firm encompasses its ability to be proactive, innovative and capable of taking risks (Covin and Slevin, 1989; Lumpkin and Dess, 1996; Miller 1982). As a necessary component in creating new and novel opportunities Birkinshaw (1997) finds that the scope of an entrepreneurial firm reaches beyond local responsiveness with the potential for worldwide learning and global integration. It is therefore likely that entrepreneurial orientation will work as a complementary variable to both *integrating mechanisms* and *knowledge flows*. It has been noted how the literature to date assumes an active role of the firm in building ambidexterity yet lacks empirical testing. It is therefore advanced that the inclusion of entrepreneurial orientation which explicitly recognises the active pursuit of new and novel opportunities may provide additional insight into how the subsidiary can improve its responsiveness to its external environment. Through increased responsiveness encompassing an innovative posture, it is held that the subsidiary practicing an active entrepreneurial orientation is in a better position to exploit opportunities which will be positively related to their capacity to be ambidextrous.

In concluding, the previous section assessed the subsidiary's capacity to be responsive. It is advanced that the exploitative elements of ambidexterity can be captured by the subsidiary's ability to actively scan the environment, absorb knowledge, leverage knowledge flows through interdependencies combined with adopting a marketing and entrepreneurial orientation. The predictor variables for the subsidiary's scope to respond are now addressed.

Scope to Respond

In capturing the explorative aspects of ambidexterity there is an imperative need to assess how issues of autonomy and constraints imposed by the parent are likely to impact on how the subsidiary conducts its operations. The scope to build ambidexterity is largely determined by the flexibility by which the subsidiary can conduct their operations, with exploration characterised by path breaking and improvisation (He and Wong, 2004). The scope to respond is therefore advanced as a construct which explicitly captures the extent to which the subsidiary can adapt, reconfigure and pursue alternative processes and trajectories.

The first variable advanced in capturing this construct is *determination of strategy*. The source of strategy creation within the MNC can be regarded as a significant proxy for autonomy; where the extent to which a subsidiary implements its own strategy seen as reflective of control (O'Donnell, 2000). It is therefore advanced that the subsidiary which has greater control over the determination of strategy is likely to be in a favourable position to explore opportunities, procure the relevant resources needed and ultimately adapt its resource base in accordance.

A second variable advanced in capturing a subsidiary's scope to respond is *network position*. At the crux of the conceptualisation of the MNC as an intraorganisational network is the assertion that attention and resources are unevenly spread across the MNC network (Bartlett and Ghoshal, 1990; Szulanski, 1996; Tsai, 2001; Zaheer and Bell, 2005). The implications of this, and indeed on a subsidiary's capacity to pursue opportunities will therefore be influenced by its network position where; 'occupying a central position in the interunit network, a unit is likely to access desired strategic resources' (Tsai, 2001: 997). Coining the term 'network-enabled capabilities' Zaheer and Bell (2005) assert that internal capabilities are enhanced by a superior network position; reflecting the ability of the subsidiary to differentiate itself from its peers. This is suggestive of possible direct linkages between network position and bargaining power thereby presenting another potential avenue of inquiry. It is advanced that through network centrality certain subsidiaries will receive greater

resource accessibility relative to their peers on the basis of their network position; aiding greater adaptability and ultimately ambidexterity.

Vertical Integration is another variable advanced in capturing the scope to respond construct. Integration involves contact and communication with the aim of eliciting cooperative behaviour, whilst *vertical integration* explicitly deals with the subsidiary – headquarter relationship (O'Donnell, 2000). The manner in which this integration manifests itself in a subsidiary's operations warrants considerable attention. On the one hand the vertically integrated firm is characterised by slow learning and strong path dependencies (Teece and Pisano, 1994), factors which are likely to restrict adaption. In addition, if integration results in greater headquarter monitoring this is also likely to curb the subsidiary's degree of flexibility (Ambos et al., 2010).

In contrast however, increased contact, interaction and frequency of communication may provide an invaluable platform for the subsidiary to potentially present and push its initiatives to headquarters. Adopting this latter hypothesis it is arguable to suggest that greater vertical integration can lead to increased adaption where headquarter approval paves the way for pursuing new opportunities. The proposed measure of vertical integration therefore must consist of a dual hypothesis in examining the potential benefits or negative implications of increased integration on building ambidexterity.

As a final component of a subsidiary's scope to respond, *autonomy* must be considered. The extent of headquarter monitoring and internal constraints are reflective of significant differentials in organisational structures with autonomy defined as; 'the division of the decision-making authority between a local unit and an outside organization that controls it' (Garnier, 1982: 893–894). Greater autonomy fosters creativity and idea generation (Asakawa, 2001), factors conducive to exploration.

The degree to which a subsidiary has the scope to implement its own strategic and operational decision making will therefore be determined by the relative autonomy they enjoy (O'Donnell, 2000). It can be asserted therefore that a subsidiary which enjoys greater autonomy in its operations is in a more favourable position to implement and pursue its own adaptive strategies. This it is argued, will lead to greater ambidexterity.

The two constructs of *ability to respond* and *scope to respond* have been discussed in terms of their relevance to building ambidexterity and capturing its exploitative and explorative elements. The potential effects of *strategic flexibility* as a moderating variable are now addressed before the concluding remarks and suggestions for further research.

Strategic Flexibility as a Moderating Variable

Strategic flexibility is advanced as a construct which helps capture the ambidexterity construct in a more robust manner than has been conceptualised to date. The concept of strategic flexibility has been discussed as a factor conducive to product innovation (Sanchez, 1995) but has yet to be applied to theory on a firm's ability to be ambidextrous. Strategic flexibility, incorporating resource flexibility and coordination flexibility arguably strengthens the capacity of the subsidiary to respond to external changes and ultimately their scope to pursue explorative opportunities. As an adaptive construct this 'emphasises the flexible use of resources and reconfiguration of processes, it reflects one type of dynamic capability that enables firms to achieve a competitive advantage in turbulent markets' Zhou and Wu (2010: 548). As noted by Zander and Kogut (1995) the restructuring and coordinating of various resources and functional units is essential if the potential value created through absorptive capacity and knowledge gained is to be realised. As a complementary organisational capability, it is therefore held that strategic flexibility allows the firm to better achieve the potential of its key resources, with the exploitation of internal resources an integral feature of the construct (Zhou and Wu, 2010). Further to this the relative flexibility by which the subsidiary can coordinate and align collective resources is advanced as a factor central to exploring alternative opportunities and curbing inertia. It is thus a combinative process that builds upon knowledge gained through the restructuring of resources and their adaptive utilisation; a process arguably conducive to building subsidiary ambidexterity.

Discussion

In concluding, it has been delineated how a subsidiary which is capable of exercising considerable bargaining power can leverage this position by insulating themselves to some extent from the threat of mandate loss. For subsidiary managers this presents a potential vehicle by which they can enhance their position through actively shaping a sustainable future for themselves within the MNC structure.

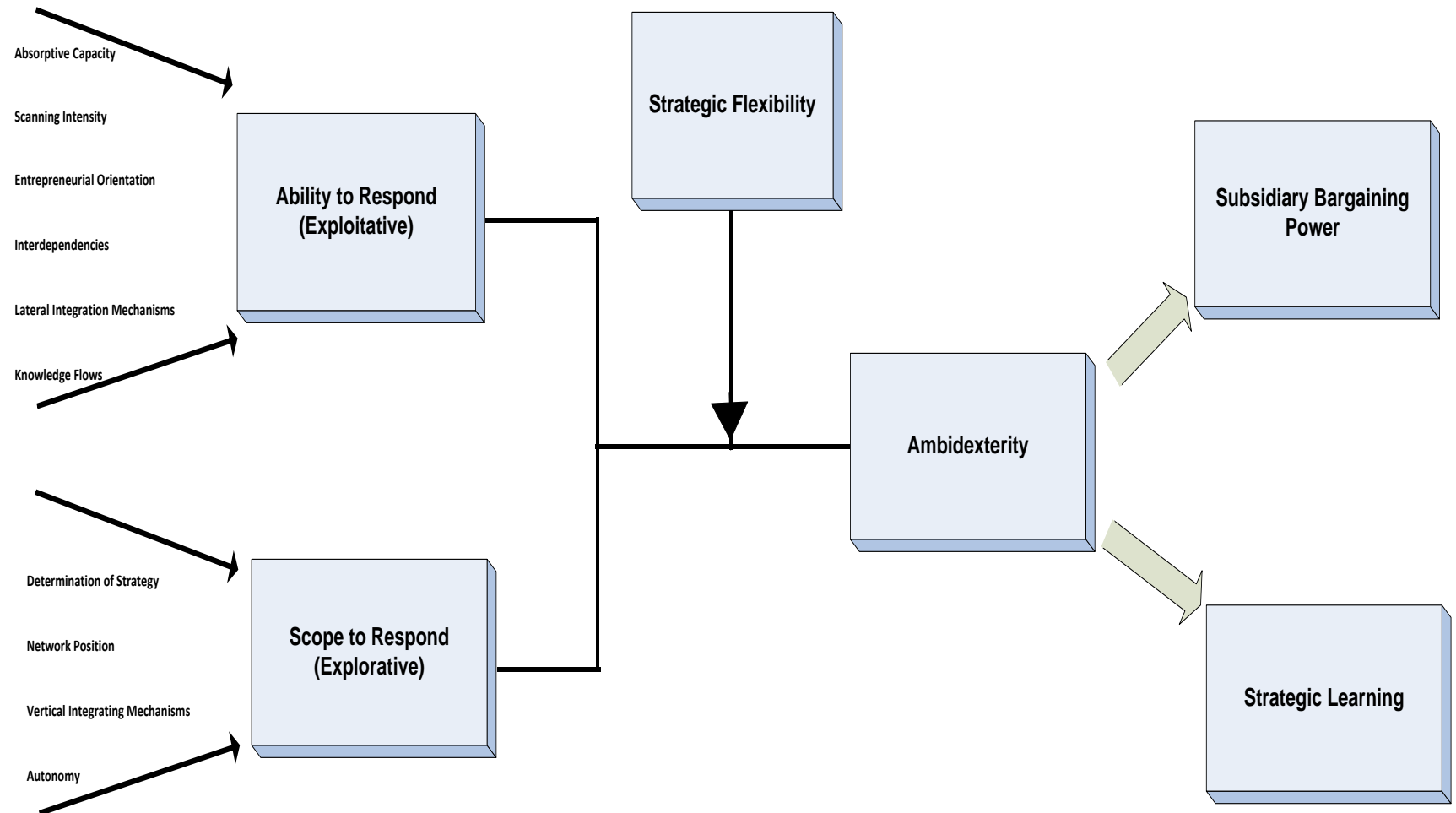
This favored position, it is posited, is largely dependent on their ability to build ambidexterity. The subsidiaries ability to be responsive and the scope to exploit this capacity also presents a new lens by which the ambidexterity construct can be conceptualised.

Theoretical in nature, the constructs developed in this paper require empirical testing in verifying or refuting their causal effects. The sample of interviews carried out was limited in number and would therefore benefit from further qualitative interviews conducted if generalisations are to be drawn. In addition a quantitative approach incorporating the use of survey data would provide additional depth in examining the causality of the constructs proposed.

Further Directions for Research

Further avenues of inquiry could incorporate the headquarter perspective; in examining if subsidiary bargaining power created through delivering dynamic capabilities such as ambidexterity results in an effective barrier to knowledge sharing within the MNC. If such a scenario is likely to impede knowledge flows within the MNC, what internal processes can be utilised in mitigating this safeguarding of power? In addition, further research is also warranted in examining the relationship between subsidiary ambidexterity and strategic learning and performance.

Figure 1. Proposed Model



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